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# INCOTERMS 2010

## INTERNATIONAL COMMERCIAL TERMS

### (CONTRACT OF SALE)

**Incoterms** – Key elements of international contracts of sale. They tell the parties what to do with respect to carriage of the goods from buyer to seller and export & import clearance. They also explain the division of costs and risks between the parties.

**\*Updated 2010 Rules beginning 1/1/11\*** The number of INCOTERMS "rules" has been changed from 13 to 11. This has been done by replacing DAF, DES, DEQ, and DDU, by the new rules DAT (delivered at Terminal), and DAP (Delivered at Place ).

Other primary notes of INCOTERMS 2010 - Instead of "Terms" they are now referred to as "Rules". 2010 INCO classifications are now applicable in two sections: *One, for Any Mode or Modes of Transport*, and one for *Inland Waterway, or Sea freight*. Broken down as follows:

Rules for Any Mode or Modes of Transport		Rules for Sea and Inland Waterway Transport	
<b>EXW</b>	Ex Works	FAS	Free Alongside Ship
<b>FCA</b>	Free Carrier	FOB	Free On Board
<b>CPT</b>	Carriage Paid to	CFR	Cost and Freight
<b>CIP</b>	Carriage and insurance paid to	CIF	Cost Insurance and Freight
<b>DAT</b>	<b>Delivered at Terminal-----&gt; new</b>		
<b>DAP</b>	<b>Delivered at Place-----&gt; new</b>		
<b>DDP</b>	Delivered Duty Paid		

The following information is a general (and very brief) overview of Incoterms 2010. It is highly recommended that any company participating in international sales invest in either an Incoterm training seminar or a complete ICC Guide to Incoterms.

## INCOTERMS BY GROUPING

### Group E

Departure	EXW	Exworks
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### Group F

Main carriage	FCA	Free Carrier
Unpaid	FAS	Free Alongside Ship
	FOB	Free On Board

### Group C

Main carriage	CFR	Cost & Freight
Paid	CIF	Cost, Insurance & Freight
	CPT	Carriage

		Paid To
	CIP	Carriage & Insurance Paid To
<b>Group D</b>		
Arrival	DAT	Delivered at Terminal
	DAP	Delivered at Place
	DDP	Delivered Duty Paid

## NOTES:

The letter F signifies that the seller must hand over the good to a nominated carrier Free of risk and expense to the buyer. Seller arranges pre-carriage to reach an agreed point for handling the goods over to the carrier.

The letter C signifies that the seller must bear certain Costs even after the critical point for the diversion of the risk of loss or damage to the goods has been reached.

The letter D signifies that the goods must arrive at stated destination.

## INCOTERM 2010 DEFINITIONS

The following definitions are brief explanations only. Please refer to a current and complete guide to Incoterms for full explanation of the costs and risks associated with each term

### EXW – EXWORKS:

This term represents the seller’s minimum obligation, since he only has to place the goods at the disposal of the buyer. The buyer must carry out all tasks of export & import clearance. Carriage and insurance is to be arranged by the buyer.

### **FCA – FREE CARRIER (...NAMED PLACE):**

This term means that the seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place. Seller pays for carriage to the named place

### **FAS – FREE ALONGSIDE SHIP (...NAMED PORT OF SHIPMENT):**

This term means that the seller delivers when the goods are placed alongside the vessel at the named port of shipment. The seller is required to clear the goods for export. The buyer has to bear all costs and risks of loss or damage to the goods from that moment. This term can be used for sea transport only

### **FOB – FREE ON BOARD (...NAMED PORT OF SHIPMENT):**

This term means that the seller delivers when the goods pass the ship's rail at the named port of shipment. This means the buyer has to bear all costs and risks to the goods from that point. The seller must clear the goods for export. This term can only be used for sea transport. If the parties do not intend to deliver the goods across the ship's rail, the FCA term should be used

### **CFR – COST & FREIGHT (...NAMED PORT OF DESTINATION):**

This term means the seller delivers when the goods pass the ship's rail in port of shipment. Seller must pay the costs and freight necessary to bring the goods to the named port of destination, BUT the risks of loss or damage, as well as any additional costs due to events occurring after the time of delivery, are transferred from seller to buyer. Seller must clear goods for export. This term can only be used for sea transport

### **CIF – COST, INSURANCE & FREIGHT (...NAMED PORT OF DESTINATION):**

The seller delivers when the goods pass the ship's rail in the port of shipment. Seller must pay the cost and freight necessary to bring goods to named port of destination. Risk of loss and damage are the same as CFR. Seller also has to procure marine insurance against buyer's risk of loss/damage during the carriage. Seller must clear the goods for export. This term can only be used for sea transport.

### **CPT – CARRIAGE PAID TO (...NAMED PORT OF DESTINATION):**

This term means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination. The buyer bears all costs occurring after the goods have been so delivered. The seller must clear the goods for export. This term may be used irrespective of the mode of transport (including multimodal)

**CIP – CARRIAGE & INSURANCE PAID TO (...NAMED PLACE OF DESTINATION):**

This term is the same as CPT with the exception that the seller also has to procure any mode of transportation

**DAT – DELIVERED AT TERMINAL (...NAMED TERMINAL OF DESTINATION):**

This term means that the seller delivers when the goods once unladed from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at a named port or place of destination. "Terminal" includes any place, whether covered or not, such as a quay, warehouse, container yard or road, rail or air cargo terminal. The seller bears all risks involved in bringing the goods to and unloading them at terminal at the named port or place of destination

**DAP – DELIVERED AT PLACE (...NAMED PLACE OF DESTINATION):**

This rule may be used regardless of the mode of transport and may also be used where more than one mode of transport is utilized. DAP means the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of carriage ready for unloading at the names place of destination. The seller bears all risks involved in bring the goods to the named place

**DDP – DELIVERED DUTY PAID (...NAMED PORT OF DESTINATION):**

This term represents maximum obligation to the seller. This term should not be used if the seller is unable to directly or indirectly obtain the import license. This term means the same as the DAP term with the exception that the seller also will bear all costs and risks of carrying out customs formalities including the payment of duties, taxes and customs fees.

PLEASE NOTE THAT THE ABOVE DEFINITIONS ARE A BRIEF OVERVIEW ONLY. THE TERMS ARE NOT INTENDED TO BE ALL-INCLUSIVE OF ASSOCIATED COSTS AND RISKS.

IT IS RECOMMENDED THAT WHEN CALLING ANY CARRIER OR FREIGHT FORWARDERS FOR A RATE QUOTE, THAT YOU TELL THE CARRIER WHAT INCOTERM IS BEING USED ON THE ORDER SO THEY CAN INCLUDE ALL NECESSARY CHARGES THAT COULD BE INCURRED.

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